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STATEMENT OF
ELMER B. STAATS, COMPTROLLER GENERAL OF THE UNITED STATES
BEFORE THE LEGISLATIVE SUBCOMMITTEE
APPROPRIATIONS COMMITTEE
HOUSE OF REPRESENTATIVES
ON

[BUDGET ESTIMATES FOR FISCAL YEAR 1974]



FEB 28 1973

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

We appreciate this opportunity to present our budget estimates and our plans for operating the General Accounting Office in FY 1974. In a separate volume, we have furnished details on the work programs, manpower, and funds proposed for carrying out these plans. I would like to highlight the major factors we considered in our planning.

STAFFING AND FINANCIAL REQUIREMENTS

Our appropriation for FY 1973 is \$96,235,000. Our FY 1974 budget request is \$103,850,000 or an increase of \$7,615,000 over the appropriation for FY 1973. This does not include provision for increased costs resulting from the pay increase effective on January 7, 1973. Cost increases resulting from that pay increase total \$2,058,000 in FY 1973 and \$4,481,000 in FY 1974.

Funds appropriated for FY 1973 provided for a GAO staff of 4,951 man years, including 21 man years for consultants. In comparison, we are requesting 5,080 man years for FY 1974, including 30 man years for consultants, an increase of 129 man years over the number authorized for this year.

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We have been able to hold down the number of man years for the current year to 4,852, or 99 less than were authorized. In view of our growing workload, however, we will be adding to our staff through the remainder of this fiscal year so that as of June 30 we expect to have an actual employment of 5,050, only 30 below the average we are requesting for 1974.

As outlined in our hearings last year, our workload in the GAO has increased sharply because of (a) the increasing number of requests which we have had for assistance from the Congress as a whole, from committees of the Congress, and from individual members, and (b) new or expanded programs authorized in the last Congress which provide for a GAO audit.

In reviewing our budgetary requirements, our division directors forecasted a need for fiscal year 1974 of a total of 5,872 man years or 792 more than we are requesting.

I decided, however, to limit our FY 1974 budget to those increases necessary to meet workload or costs over which we will have little or no discretion. This includes a net staff increase of 129 man years determined as follows:

Increases for:

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| 1. Known or anticipated increases in Congressional requests for assistance which we estimate at: | 130 man years |
| 2. Reviews of new and expanded programs enacted in the last session of Congress which we estimate at: | 65 man years |
| 3. Work which we are required to carry on by law, such as handling of bid protests and other required legal services, claims settlement and debt collection, and the Federal election activities assigned to us: | <u>24</u> man years |
| Total staffing increases required for projected non-discretionary work | 219 man years |
| 4. Less reductions in other areas | <u>90</u> man years |
| Net increase required: | <u>129</u> man years |

Our request for appropriations for FY 1974, then, will increase over the amount appropriated for FY 1973 because of:

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| 1. Costs incident to staff increases: | \$2,041,000 |
| 2. Increased costs due to changes in employee pay (promotions, periodic step increases), price increases for travel and services and so forth, amounting to: | <u>5,574,000</u> |
| Total FY 1974 increase over amounts appropriated for FY 1973: | <u>\$7,615,000</u> |

We have not recognized the effect of the recent 10 percent devaluation of the dollar in our budget request. The costs of our international operations will, of course, be increased by this devaluation and any subsequent adjustments, such as the floating of foreign currencies, which in effect result in further devaluation. We cannot state at this time just what the full extent of these increases will be. Our best estimate is that there will only be a nominal increase in our fiscal year 1973 costs, and increases of something over \$100,000 in fiscal year 1974 for travel and related international costs.

GENERAL PERFORMANCE HIGHLIGHTS

It is always difficult to translate the full effect of GAO activities in terms of improvement of the operations and the effectiveness of the Government. Many actions taken in response to our recommendations cannot be readily measured in terms of dollar savings. We do make estimates of savings that are directly attributable to GAO recommendations when this can be done readily. However, we do not believe that dollar savings is a very good test of our effectiveness. Rather, our objective is to concern ourselves with opportunities for improving the economy and the effectiveness of Government programs irrespective of the amount of savings which we might claim from our work at the end of the year.

Nevertheless, we feel that it is useful to maintain a record of readily translatable dollar savings resulting from action taken by Federal agencies through the adoption of GAO recommendations. For fiscal year 1972 these amounted to \$292.3 million in additional revenues or savings, including:

Refunds and collection:

Recoveries of overpayments under the Medicare, welfare, and military procurement programs	\$ 10.5	
Recoveries resulting from audits of transportation vouchers	14.2	
Recoveries resulting from general claims work	<u>4.6</u>	\$ 29.3

Other savings:

1. Repairing equipment on hand instead of buying new equipment	140.8	
2. Lowering Government transportation and communications costs	35.7	
3. Improved inventory management	32.8	
4. Reduction in proficiency flying program	13.2	
5. Reduction of costs of leased equipment	6.3	
6. Utilization of U.S.-owned foreign currencies	4.7	
7. Adoption of self-insurance for Coast Guard ship construction	3.6	
8. Reduction of price-support payments to ineligible agriculture operators	3.0	
9. Cancellation of military assistance program purchases	2.5	
10. Miscellaneous	<u>20.4</u>	<u>263.0</u>
Total savings attributable to the work of GAO		<u>\$292.3</u>

More frequently our work contributes to significant improvements which, for various reasons, cannot be included in our tangible savings report. For example, in a report to the Secretary of Defense we stated that Army and Air Force developments of tactical airborne reconnaissance systems had been duplicative and that both services were proposing follow-on systems which also appeared to be duplicative. We pointed out that this was the result of a roles-and-missions controversy between the two services which the Department of Defense had been reluctant to resolve. We suggested that DOD review the proposed programs to eliminate unnecessary duplication. The Director of Defense Research and Engineering agreed that the proposed systems should be restudied. That study recommended approval of the Army proposal.

As a consequence, the Director of Defense Research and Engineering reported to the House Committee on Appropriations that the Air Force proposal for a follow-on tactical airborne reconnaissance system had been canceled. The Air Force estimated that the total cost of this program would have been about \$510 million.

As another example, in March 1972 the House Appropriations Committee asked us to closely monitor the test program and the evaluation of the Cheyenne, Blackhawk, and the KingCobra advanced attack helicopters. In our August 7, 1972, report, we discussed a serious flight stability and control problem in the Cheyenne helicopters. Just after this, on August 9, the Army terminated the Cheyenne program. The Army, therefore,

avoided committing itself to a multi-billion dollar production contract for a helicopter which was not satisfactory.

While there are many considerations involved in the termination of a program of this magnitude, the GAO evaluations in support of the committee were cited by one of its members as being instrumental in canceling the Cheyenne. The Report of the House Committee on Appropriations gave credit to the objective studies of the General Accounting Office for making many savings in military expenditures possible.

GAO ORGANIZATION

In my testimony last year, I discussed plans for a substantial reorganization of the General Accounting Office to improve our capability to deal with our increasing responsibilities. This reorganization was accomplished in April 1972 and our budget estimates reflect the new organization. While I will not discuss our organization in detail in my testimony this morning, Attachment I includes for the record the chart of our present organization.

IMPACT OF RECENT LEGISLATIVE AND OTHER CONGRESSIONAL ACTIONS ON GAO PROGRAMS

Numerous legislative and other congressional actions--including those which require GAO to make specific studies and those which create new Federal programs or expand existing ones--continue to have a marked effect on GAO work programs. The impact of the Legislative Reorganization Act of 1970, for example, will likely increase in the future. My emphasis today, however, will be on the more recent legislative actions which affect GAO's workloads.

A. Recent Legislative Actions Directly
Requiring Performance by GAO

Following are a few of the more significant legislative actions occurring since January 1, 1972, that will increase the workload of the GAO:

1. The Water Pollution Control Act Amendments of 1972
require the Comptroller General to conduct a Governmentwide review of the research, pilot and demonstration programs related to the prevention of water pollution. The act requires a report to the Congress on the conflicts between, and coordination and efficacy of such programs by October 1, 1973. A major effort--involving 14 Federal agencies and requiring a significant manpower expenditure--is well underway to satisfy this mandate. We estimate that the cost of this study in FY 1973 and 1974 will be about \$840,000.
2. The State and Local Fiscal Assistance Act of 1972 (Revenue Sharing) authorizes the Secretary of the Treasury to distribute \$30.25 billion to State and local governments for the 5-year period January 1972 through December 1976. It directs GAO to review the work done by the Secretary of the Treasury and the State and local governments to enable the Congress to evaluate compliance and operations.
3. The Amendment to the National School Lunch Act dated September 26, 1972, requires the Comptroller General to evaluate a pilot program administered by the Department of Agriculture to provide supple-

mental foods to eligible mothers and infants determined to be nutritionally disadvantaged because of an inadequate income. A preliminary evaluation report is required by October 1, 1973, and a summary report containing recommendations concerning continuation of the program is required by March 1974.

4. The Amendment Authorizing Waiver of Claims of the United States for Erroneous Payments, approved October 2, 1972, authorizes the waiver of Government claims resulting from erroneous payments to members of the uniformed services substantially to the same extent that such claims are waived on behalf of civilian employees. This amendment also broadens the scope of the civilian law to include authority to waive erroneous payments of allowances other than travel and transportation. The amendment will reduce the number of debts which will be forwarded to GAO for collection, since in some cases agencies will waive claims against the debtor. On the other hand, the amendment will increase the waiver work of the Office. Since decisions of whether or not to grant requests for waivers are more involved and difficult than merely pursuing collection of claims, we anticipate that the waiver work generated by the amendment will exceed the debt collection work which it will eliminate.

5. The Foreign Assistance Act of 1971 requires that the value of any excess defense article granted to a foreign country or international organization by any department, agency, or independent establishment of the U.S. Government (other than the Agency for International Development) shall be considered to be an expenditure made from funds appropriated under the Foreign Assistance Act of 1961 for military assistance unless the department, agency, or establishment certifies to the Comptroller General that the excess defense article it is ordering is not to be transferred by any means to a foreign country or international organization.
6. The Federal Election Campaign Act approved February 7, 1972, gives the Comptroller General significant responsibilities in connection with reporting by presidential and vice-presidential candidates and committees. The Presidential Election Campaign Fund Act, approved December 10, 1971, assigns to the Comptroller General the function of certifying amounts political parties may receive from the "check off" fund and monitoring campaign spending by Presidential candidates. To fulfill these responsibilities, the Office of Federal Elections was established within the General Accounting Office.

7. The Education Amendments of 1972 established a number of new education programs and also made changes in existing programs. It also contained an explicit provision placing responsibility upon the Comptroller General to evaluate education programs.
8. Reporting on the Department of Defense appropriation for fiscal year 1973, the House Committee on Appropriations in its September 1972 report directed us to make a comprehensive review of the Navy's ship overhaul and repair programs for fiscal year 1972 and 1973 and to report on the results of our work by April 30, 1973.

B. Impact on GAO of New Legislation Creating or Expanding Federal Programs

Perhaps even more significant over the long run than legislative actions which directly require action by GAO is that which creates new Federal programs or expands existing program levels. These actions require additional work by the GAO. A few examples follow.

1. The Social Security Amendments of 1972 created a Supplemental Security Income Program for the Aged, Blind, and Disabled. Effective January 1, 1974, this wholly Federal cash-assistance program replaces existing programs administered by approximately 1,150 State and local governments with many different

eligibility criteria and payment levels. The Department of Health, Education, and Welfare estimates that the new program--which will be administered by the Social Security Administration--will cost the Federal Government about \$4.4 billion in 1974, or about \$1.8 billion more than under previous State-administered programs. In view of the scope and costs of the new program and the high degree of congressional interest in its effective implementation, we anticipate that we will need to apply increased resources to reviews of income maintenance programs.

2. The Education Amendments of 1972 made major changes to existing programs and established a number of major new educational programs including institutional aid, emergency assistance for higher education, student assistance, improvements for post-secondary education, graduate programs, aid to community colleges and occupational education. The Emergency School Aid segment of the act authorizes an appropriation of \$1 billion each for fiscal years 1973 and 1974 to meet special problems regarding desegregation in schools, voluntary integration, and overcoming the educational disadvantages of minority group school children. If funded at the authorized level, annual Federal support in the educational area will increase

between \$5 and \$7 billion. Because of the magnitude and significance of this legislation, we will need to increase our audit effort in connection with education.

3. The Equal Employment Opportunity Act of 1972 is aimed at promoting equal employment for American workers including those employed by the Federal Government. An assessment of the extent to which the Commission, agencies, and departments of the Federal Government are carrying out their responsibilities under this act will require a considerable audit effort on our part.
4. The Public Buildings Amendments of 1972 authorize the General Services Administration to charge agencies for space occupied in Federal buildings and related services based on comparable commercial charges. We are cooperating with GSA in developing an accounting system which meets GAO requirements.
5. The Rural Development Act of 1972 assigns responsibility for coordinating Federal programs in rural America to the Department of Agriculture. It also provides for greatly expanded programs to develop rural businesses, industrial parks and community facilities. This legislation directs the Secretary to establish employment, income, population, housing and quality of community service and facilities goals

for rural development and report progress in attaining such goals. It will require us to expand our efforts to evaluate the effectiveness of the planning, coordination, and execution of numerous existing Federal programs impacting on rural areas as well as the implementation of new and expanded programs developed to enhance rural development.

6. Other examples, of a growing list of legislation which has made specific provisions requiring program evaluations are:

P.L. 92-424 - Economic Opportunity Amendments of 1972

P.L. 92-218 - National Cancer Act of 1971

P.L. 92-129 - Amendments to Military Selective Service Act of 1967

P.L. 91-616 - The Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970

P.L. 92-255 - The Drug Abuse Office and Treatment Act of 1972

Because of the technical socio-economic aspects of these evaluations, it is anticipated that this legislation will generate numerous congressional requests to review, validate, critique, interpret, and summarize the evaluative reports required of the operating agencies.

Recently we informed the Chairmen of the Senate and House Committees that our Office will give special

attention to how well Government agencies are performing their evaluation studies in those instances where Congress has enacted explicit requirements for program evaluation.

7. The Foreign Assistance Act of 1971 limits all types of economic and military assistance to Cambodia not to exceed \$341 million during fiscal year 1972. It also limits the number of Americans and third country nationals, employed by the executive branch, who can be present in Cambodia in connection with such assistance activities. Similar limitations, including a lower ceiling, are included in the pending bill for the 1972 act. Similar limitations are also included for Laos in the Armed Forces Appropriation Authorization for 1972 and 1973. We are examining into the application of the dollar and personnel ceilings for Cambodia in our country-wide review of U.S. assistance to that nation. We also plan to determine compliance with the legislative restrictions on assistance to Laos in a country-wide review of Laos.

C. Pending Legislation Which Would Affect The GAO Workload

Many bills were introduced in the last session of the Congress which, if passed, will affect our workload. These bills would require GAO to:

1. Conduct a Governmentwide study of all research, pilot, and demonstration programs related to environmental quality.
2. Make an annual audit of the Federal Reserve Board and each of the Federal Reserve banks and their branches.
3. Audit annually the financial transactions of the District of Columbia and other specific aspects of the District's activities (home rule legislation).
4. Audit a Federal Financing Bank which would be empowered to borrow from the public and make loans to Government agencies.
5. Audit and review non-appropriated fund activities.
6. Perform a Federal Employment Opportunities Study of part-time positions in the executive branch of the Government and the feasibility of redesigning positions available to older individuals at the subprofessional level.
7. Expand audit activities in connection with funds appropriated for International Financial Institutions or for the United Nations Development Program.

In preparing our manpower and appropriation requirements, we have considered generally the impact that known legislative actions, such as those identified, will have on GAO resources.

We do not, of course, add staff for each such requirement, but assess their impact on an overall basis. We have not included any provision for possible new legislation not yet enacted.

STAFFING REQUIRED FOR OFFICE-WIDE PROGRAMS

For GAO-wide planning and management of our staff resources, we classify our work into eight broad program categories. These categories and our man-year requirements for each are summarized as follows:

	Requested <u>FY 1974</u>
Direct Assistance to Congress	1015
Reviews of Economy, Efficiency, and Program Results	2302
Examination of Financial Systems, Transactions, Accounts, & Reports	858
Legal Services and Decisions	202
Financial Management Improvement	111
Claims Settlement & Debt Collection	152
Federal Election Activities	33
Executive Direction and Administrative Support	<u>407</u>
Total Man Years	<u>5080</u>

I would like now to briefly describe these categories for the Committee and to give a few examples of our work in each. The Program and Performance section of our "Justification of Estimates" includes additional examples and descriptions of our activities by program category.

DIRECT ASSISTANCE TO THE CONGRESS

A principal objective of GAO is to render maximum assistance to the Congress, its committees, and Members consistent with our responsibilities as an independent, non-political agency. We view all of our work as being of assistance to the Congress in carrying out its legislative and oversight functions. We, therefore, direct our staff resources in work that will produce information on the results of Federal programs and agency operations that will be useful to the Congress and in areas which fulfill the greatest apparent need and benefit to the Government.

For planning purposes we classify certain work as being of direct assistance to the Congress. This work includes:

- Specific surveys, reviews, and studies directed by legislation.
- Special surveys, audits, and reviews requested by congressional committees and individual Members of Congress and recommendations for GAO studies contained in committee reports.
- Testimony, including special preparation required, at hearings on GAO reports and other matters.
- Work performed by GAO staff members assigned to congressional committees.
- Advising and assisting committees and individual Members of Congress on legal, legislative, accounting and auditing matters--especially with regard to legislation under consideration.
- Accounting, auditing, and advisory services for House and Senate financial and administrative operations including audits of concessionaries and other activities.

- ° Liaison activities with congressional committees and individual Members provided by our Office of Legislative Liaison and members of our operating divisions.

Much of our work in this category requires a great deal of staff time. For example, section 204 of the Comprehensive Health Manpower Training Act of 1971 required GAO to study the feasibility of reducing the cost of constructing health facilities assisted under the Public Health Services Act, particularly with respect to innovative techniques, new materials, and the possible waiver of unnecessarily costly Federal standards, and to report its findings to the Congress in November 1972. To complete this study as expeditiously and effectively as possible, a special GAO task force was formed. Before our work was completed and a 850 page report issued to the Congress on November 20, 1972, about 700 organizations in 29 States and the District of Columbia were contacted, including health planning agencies, hospitals, building associations, contractors, architects, manufacturers, trade associations and unions, consulting firms, and various Federal and State agencies.

Our work frequently closely supports that of committees. For example, in response to a June 1972 request from the Chairman, Subcommittee on Communications and Power, House Interstate and Foreign Commerce Committee, we are reviewing the activities of the Federal Communications Commission and the Federal Power Commission to develop information on the regulatory process that will enhance the Subcommittee's

legislative oversight. Our work will review the objectives and priorities of these regulatory agencies as well as the organization, policies, procedures, and self-evaluation systems established to meet their objectives and priorities.

In all, in FY 1972 we issued 329 reports to committees and to Members. During the first 6 months of FY 1973 we issued 178 such reports and on December 31, 1972, 249 requests from committees and Members were on hand. A summary of reports issued to committees and Members in fiscal year 1972, during the first 6 months of fiscal year 1973, and on hand at December 31, 1972, is included for the record as Attachment 2.

Total staff resources applied to our direct assistance to the Congress have continually increased in the last seven years and will reach 1,015 man years in FY 1974. This upward trend reflects our continuing efforts to improve GAO's services as an independent, non-political, and reliable source of assistance to the Congress in carrying out its legislative and oversight responsibilities.

REVIEWS OF ECONOMY, EFFICIENCY AND PROGRAM RESULTS

The major thrust of our reviews of economy, efficiency and program results is to fulfill GAO's responsibility to the Congress under the Budget and Accounting Act of 1921 and subsequent legislation.

In planning this work, we give special emphasis to Federal programs and agency operations in which there is strong present or potential congressional interest and opportunities for improvement. To do this we maintain continuous contact with the committees and their staffs through briefing sessions and discussions of matters of mutual concern. Consequently, we coordinate and plan our self-initiated work, as well as our direct assistance work, to assure that our reports are responsive to the needs of the Congress.

In selecting Federal programs and activities for review, we consider factors such as the importance and effectiveness of programs and activities, size of expenditures, investment in assets, etc. This is done through our long-range, program, and project planning systems.

A. Reviews of Domestic Civilian Programs

Increasingly we are providing the Congress and agencies with information on progress made in achieving program objectives, on program deficiencies which impede operational success or increase program costs and on possible alternative approaches to accomplishing the objectives intended by Congress. For example:

In July 1972 we issued a report to the Congress on our assessment of the impact of the Teacher Corps program in (1) strengthening educational opportunities for children in areas having concentrations of low-income families, and

(2) encouraging colleges and universities to broaden their programs for training teachers. We concluded that the program had strengthened educational opportunities available to children but had less impact than it could have had because many innovations were not continued after the corps members had completed their assignments and procedures had not been developed to determine which innovations would be desirable for the schools' regular curriculums. We also reported that while the Teacher Corps program had had some success in encouraging colleges and universities to broaden their teacher training programs, the program's impact was limited because many of the special courses that were developed or adapted for Teacher Corps interns had not been made available to other students participating in teacher preparation programs.

In the area of Federal regulation we recently reported to the Congress that the Federal Communication Commission's enforcement program has been ineffective in achieving compliance with FCC's rules and regulations and that, as a result, use of the radio spectrum--a vital, limited natural resource shared by many users--has been impaired. Our report discusses the priorities followed by FCC in enforcing its rules and regulations and the resultant allocation of resources that causes serious enforcement problems to continue unabated. We found that FCC has not reevaluated (1) its enforcement problems and objectives, (2) the relative importance of, or the need for, its existing enforcement activities, or (3) the role and

program of its field offices. As a result of our recommendation, FCC has taken, or plans to take, several actions to improve its overall management and, in particular, its enforcement efforts.

We are approaching an increasing number of our reviews on a multiagency basis so that the results of our work will be more useful to the Congress, its committees and Members. For example, a major audit effort is now underway to evaluate the planning, coordination, and execution of existing Federal programs impacting on rural areas. The Rural Development Act of 1972 authorized new and greatly expanded programs to enhance rural development. Emphasis will be placed on broad-based multiagency surveys and reviews to evaluate the success and progress of rural development programs. As part of this effort, a major review is in progress to study the impact of Federal programs on a 12-county rural area in South Dakota.

Increasingly also, our work involves programs and issues of great present and future significance. For example, assignments are either underway or planned to evaluate the management and results of environmental research and development efforts in areas such as air pollution and pesticides. Our total effort on environmental research and development is expected to consume about 80 man years over a 3-year period and will involve about 14 Federal agencies as well as selected

State agencies and private institutions. We will also continue our efforts to evaluate the effectiveness of Federal and State efforts to prevent, control and abate water, air, pesticides and other types of pollution.

B. Reviews of International Programs

New approaches to and changes in emphasis of U.S. international activities continue to be matters of concern to the Congress. Major changes to the traditional international programs--economic, humanitarian and military assistance--and the continued international balance of payments and trade problems are being considered by the Congress and Federal agencies. Our performance and plans reflect this interest.

For example, during calendar year 1972 we issued four reports to the Congress on the Departments of State and Commerce export activities and two reports to Departmental officials. We are gratified at the general acceptance of the Departments of State and Commerce to the report recommendations and the actions taken towards a more coordinated and effective export program. In October 1972 we reported to Congress that commercial offices abroad need substantial improvements to assist U.S. export objectives. State advised us that the report and others that we had made on trade expansion reviews had been particularly useful and timely and that it was engaged with Commerce in a comprehensive effort to improve export promotion.

Our current and past efforts have also concentrated on identifying ways to improve U.S. participation in the management of international organizations and financial institutions. We have conducted a series of reviews over the past few years.

For example, in our report to the Congress in August 1972, we discussed the results of our review of the U.S. System for Appraising and Evaluating Inter-American Development Bank Projects and Activities. We noted that U.S. officials were aware of persistent problem areas in Bank operations but their lack of forcefulness in handling these issues has let them go unattended or only partially corrected. Other problems noted included the absence, within the U.S. executive branch, of an adequately functioning system for appraising proposed activities, following through on their implementation and evaluating the results. We made recommendations aimed at improving the effectiveness of the Bank's review and evaluation group, as well as improving the U.S. appraisal and follow-up processes. The Department of the Treasury, which has the primary responsibility for managing U.S. interest in the Bank, generally agreed to our recommendation but balked at our suggestions that certain information which was not made available for our review be furnished to the Congress.

C. Management Reviews (Government-wide)

Our reviews of management processes and results cover a wide range of procurement, logistics, communications and Federal personnel and compensation considerations which we approach on a Governmentwide basis.

For example, in the area of Federal employee compensation we are presently assessing the reasonableness of the bases used in determining pay comparability under the principles established by the Federal Salary Reform Act of 1962 and reaffirmed by the Federal Comparability Act of 1970. On completion of our work we expect to make recommendations to improve the existing Federal pay comparability concepts and process. In other phases of our review work we plan to (1) evaluate the drawing of the GS pay line, (2) evaluate the linkage of GS with other white-collar and military pay schedules and review the need for continuing to exclude certain organizations or groups of employees from the Classification Act, (3) review the structure of the statutory pay schedules and salary administration aspects; e.g., whether ingrade step increases should be based on merit rather than seniority and desirability of having open salary ranges rather than the present uniform ingrade steps, (4) compare Federal fringe benefits with non-Federal sector benefits, and (5) review the control of classification of Federal employees.

The acquisition of major weapons systems will continue to be emphasized. For example, early in 1973 we will issue individual status reports including information on production and delivery, cost and performance of about 70 such systems.

Our emphasis in Federal procurement continues. For example, we recently reviewed procedures and practices followed

in Governmentwide purchasing by formal advertising. We found that the administrative cost of formal advertising could be reduced with an annual saving of about \$14 million in the Department of Defense alone if action were taken to revise its procedures. We will suggest improvements in the agencies' regulations and in their prescribed practices. A report to the Congress is expected in early 1973.

We are currently evaluating the effectiveness of the Department of Defense's procedures for identifying and canceling backorders for material no longer needed. Our work to date indicates that as much as \$50 million in procurement and transportation costs could be saved annually by more prompt identification and cancellation of material on order which is no longer needed.

In assessing military readiness, we have over the past few years issued several reports to the Congress on the combat readiness of the military forces. The latest report issued in May 1972 was concerned with strategic Army Forces. In it we reported that many of the units were not combat ready because (1) lack of repair parts, (2) lack of skilled personnel, (3) high turnover of personnel, and (4) funding restrictions. The Army generally concurred in our evaluation and many of our suggestions for improvements. Three additional readiness reviews are nearing completion. They pertain to (1) the readiness of the Air Force in Europe, (2) the

readiness of the Marine Corps Reserve, and (3) the practicality of the concept of prepositioning large quantities of equipment and supplies such as tanks, trucks, guns, and ammunition in Europe for the use of troops rapidly air-lifted from the United States in an emergency.

EXAMINATION OF AGENCIES' FINANCIAL SYSTEMS,
TRANSACTIONS, ACCOUNTS, AND REPORTS

Our work in this program category is required by various statutes and includes:

- ° Centralized audit of transportation payments.
- ° Annual audits of Government corporations and other business-type activities.
- ° Review of accounting systems in operation.
- ° Centralized voucher audits at military finance centers, including account settlement.
- ° Audit and settlement of accounts of accountable officers in civil departments and agencies.
- ° Audits of civilian pay and allowance.

The largest man-year requirement in this category is imposed by the Transportation Act of 1940 which requires GAO to postaudit all billings for transportation under standard Government transportation forms. This activity, performed centrally in Washington by our Transportation and Claims Division, will require 566 man years in 1974. In fulfilling our responsibilities under this act, we will continue to pursue the automation of our transportation audits and to build on

and make our audit systems compatible with agency management and fiscal systems. This approach is consistent with our long-term objective of transferring the prime audit responsibility to the executive agencies. The transfer of the audit responsibility for examination of transportation bills will not diminish our management and program reviews of transportation and traffic management operations of the agencies. As part of this program we would periodically review the adequacy of the agencies' audit systems controlling the accuracy of the payments.

With respect to the audit and settlement of accounts of accountable officers required by the Budget and Accounting Act of 1921, we are directing our work primarily to examinations of the adequacy of agencies' financial management systems, including internal audit, to assure that all types of expenditure transactions are valid, appropriate, and legal and that the systems provide a basis for settling the accounts of all accountable officers in the agency. This approach detects deficiencies in Federal agency systems and controls rather than isolated transactions, strengthens those systems and controls and reduces the GAO manpower required to audit and settle accounts, and provides appropriate emphasis to assure the legality, propriety, and correctness of program expenditures.

Similarly in our audits of pay and allowances of civilian employees of the Department of Defense, we will emphasize overall reviews of payroll systems. During the fiscal years 1973-1975 we intend to thoroughly review each civilian pay system in DOD and to evaluate the extent of DOD's internal audit staff's participation in designing the systems and reviewing them in operation. At the end of the cycle we expect to be able to inform DOD that we will no longer audit civilian pay on a regular basis. Thereafter we will apply the same criteria to DOD civilian pay systems as we do to all other systems in establishing priorities for review work.

In all, our work in this program category will require 858 man years in FY 1974.

FINANCIAL MANAGEMENT IMPROVEMENT

Pursuant to the Budget and Accounting Procedures Act of 1950, the General Accounting Office:

- ° Prescribes accounting principles and standards for the guidance of executive agencies.
- ° Cooperates with agencies in the development and improvement of their accounting and financial management systems.
- ° Determines the adequacy of the agencies' principles and standards, and accounting systems designs.
- ° Approves the principles and standards and designs when they meet established requirements.
- ° Works with the Office of Management and Budget, the Treasury Department, and the Civil Service Commission in the Joint Financial Management Improvement Program, a Governmentwide program for stimulating improvements in accounting and other financial management practices.

To effectively carry out these activities in fiscal year 1974, we estimate we will need 111 average positions.

Of the 149 systems of civil and international departments and agencies subject to approval, 91 designs had been approved as of December 31, 1972.

The Department of Defense recently established its inventory of accounting systems and scheduled dates for the submission of the systems to the Comptroller General for approval in accordance with the Budget and Accounting Act of 1950. The inventory sets forth 170 systems, 8 of which have been approved. Most of the remainder are scheduled for submission over the next eight years. Eight of these are to be submitted in fiscal year 1973 and 18 in fiscal year 1974.

Measuring and Enhancing Federal Productivity

In a major financial management project, we have been working with other agencies to measure and enhance productivity in the Federal sector. The report on the study issued on June 30, 1972, stated that a workable technique had been developed that was capable of measuring trends in productivity of 54 percent of Federal civilian employees, from year to year, on a consistent basis. It stated the changes in the

productivity of the measured work force for the period from 1967 to 1971 and recommended that the Bureau of Labor Statistics be asked to assess the data and methodology and to propose plans for assuming future collection and publication responsibilities. It also recommended that management practices be improved to enhance productivity in the Federal Government, including actions to expand the uses of measurement systems and to reduce disincentives to improved Federal productivity.

The project has been extended for one year. During this period an attempt will be made to further refine and improve the initial productivity indices and their uses, and to expand their coverage to additional Federal employees and to functions common to the Federal, State, and local levels of government.

Auditing Standards

In June 1972, we published a new statement of standards for auditing governmental organizations, programs, activities, and functions. This project was begun in 1970 under GAO leadership with assistance from major Federal agencies involved in grant-in-aid programs. The standards are intended for application by Federal, State and local government auditors and public accountants engaged in the audit of governmental activities.

Our efforts in this field now and for an indefinite period in the future are directed toward obtaining acceptance and use of these standards by State and local auditing authorities

as one means of improving the auditing as well as the management of governmental activities where Federal financial assistance is involved.

LEGAL SERVICES AND DECISIONS

The legal work of the Office extends, with certain exceptions, to virtually the full range of the Government's receipt and expenditure activity. This work involves:

- ° Preparation of legal decisions on questions within the jurisdiction of the Comptroller General to decide.
- ° Preparation of legal decisions in response to requests of unsuccessful bidders.
- ° Furnishing legal reference and library services Office-wide.
- ° Legal review of audit reports and other legal services.
- ° Legal services to committees and Members of Congress.

A significant segment of our legal work involves bid protests, in which we decide the validity of proposed or actual contract awards. The Commission on Government Procurement has recommended that the GAO continue as a protest-resolving forum. The volume of this work has expanded significantly over the last several years. The number of bid protests handled has risen from 391 in calendar year 1967 to 1227 in fiscal year 1972. In each intervening year there was an increase in workload over the preceding year. In addition to the increase in numbers, the proportion of protests involving negotiated procurements, which are usually

much larger in dollar volume and present more complex legal questions, has risen steadily from less than 25 percent in fiscal year 1968 to more than 35 percent in fiscal year 1972. We expect these trends to continue throughout FY 1973 and FY 1974.

Many legal questions arise as a result of our audits and reviews of agency operations. Heads of departments and agencies as well as disbursing and certifying officers have a statutory right to submit for advance decision any question on the legality or propriety of proposed expenditures of Federal funds. Contracting and procurement officers may also obtain decisions on questions arising in connection with proposed awards of Government contracts. Also individuals and firms whose claims have been disallowed by actions of the Transportation and Claims Division and bidders for Government contracts who feel that procurement statutes and regulations have not been properly applied may apply for decision.

Under the law decisions of the Comptroller General in these matters are final and conclusive upon the executive branch of the Government and payments made contrary to our decisions are subject to disallowance. Private concerns and individuals who may be adversely affected have further recourse to the courts in most cases. In addition legal and technical services are provided by our attorneys to the Department of Justice in the prosecution and defense of transportation suits by and against the United States.

To provide the required legal services and decisions, apart from direct assistance to the Congress, we estimate that 202 man years will be required in 1974.

CLAIMS SETTLEMENT AND DEBT COLLECTION

The function of settling claims against the United States is of special significance in that it affords aggrieved parties an impartial and independent settlement of their claims, at little or no expense to them, by a forum that is completely independent of the agencies out of whose operations the claims arise. At the same time, the performance of this function significantly reduces the burden of the courts and that of the Department of Justice, which otherwise might result from litigation instituted by such aggrieved parties.

Claims against the United States that are referred to the GAO for settlement are (1) those required by statute to be paid on settlement of this Office and (2) those involving doubtful questions of law or fact. During the first half of fiscal year 1973, we settled 3,321 claims, resulting in the total amount of \$118.7 million being allowed. Due largely to the demobilization of military forces, we anticipate an increase in payment claims from 8,066 in FY 1972 to 8,670 for the whole of FY 1973. Our disposals of such claims will be in excess of 7,800 or about the same as in FY 1972.

We examine and adjudicate claims made by the United States which are referred to us because of administrative doubt as

to the liability of the debtor or the amount of the debt. Other claims are referred to us because debt collection efforts have proven to be unsuccessful. During fiscal year 1973 we expect to receive 28,000 claims which is 9,315 or 50 percent more than we received in fiscal year 1972. However, largely because of streamlined procedures, our claims on hand at the end of fiscal year 1973 will increase by only 500 over the 28,767 we had on hand at the end of FY 1972.

We will continue to (1) intensify our reviews of agency claims settlement and debt collection activities with the objective of improving executive agency operations and (2) streamline our procedures to enable the processing of a greater number of claims with fewer personnel. We plan to use 152 man years in this program category in FY 1974.

FEDERAL ELECTION ACTIVITIES

This category involves GAO performance of functions required by the Federal Election Campaign Act of 1971 and the Presidential Election Campaign Act approved on December 10, 1971.

The more immediate requirements for our expenditure of resources is in connection with the extensive duties imposed by the Federal Election Campaign Act of 1971.

The Presidential Election Campaign Fund Act permits tax payers to check off \$1 (\$2 on joint returns) of their Federal

income tax payments to a political party of his choice. No payments from the campaign fund created by the check-off plan will be made before 1976. However, sometime prior to that time, it will be necessary for GAO to draft and promulgate regulations and forms and plan the operations required by the Act.

To meet our responsibilities under this category, we estimate that 33 average positions will be required in Washington, D.C., in fiscal year 1974. It seems likely that future audits of political committees throughout the country can best be performed by increases in our field staff. We estimate that this requirement will be fairly substantial; however, until our requirements can be better determined we will not ask for such additional staff.

EXECUTIVE DIRECTION AND MANAGEMENT SERVICES

Our program category of Executive Direction and Management Services includes:

- ° Direction and control of the operations of the General Accounting Office by the Office of the Comptroller General.
- ° The functions of the Office of Policy, the Office of Program Planning, and the Office of Internal Review, involving policy formulation, long-range planning, budget formulation, internal review, and preparation of Office publications.
- ° General administrative services, accounting, and records management.

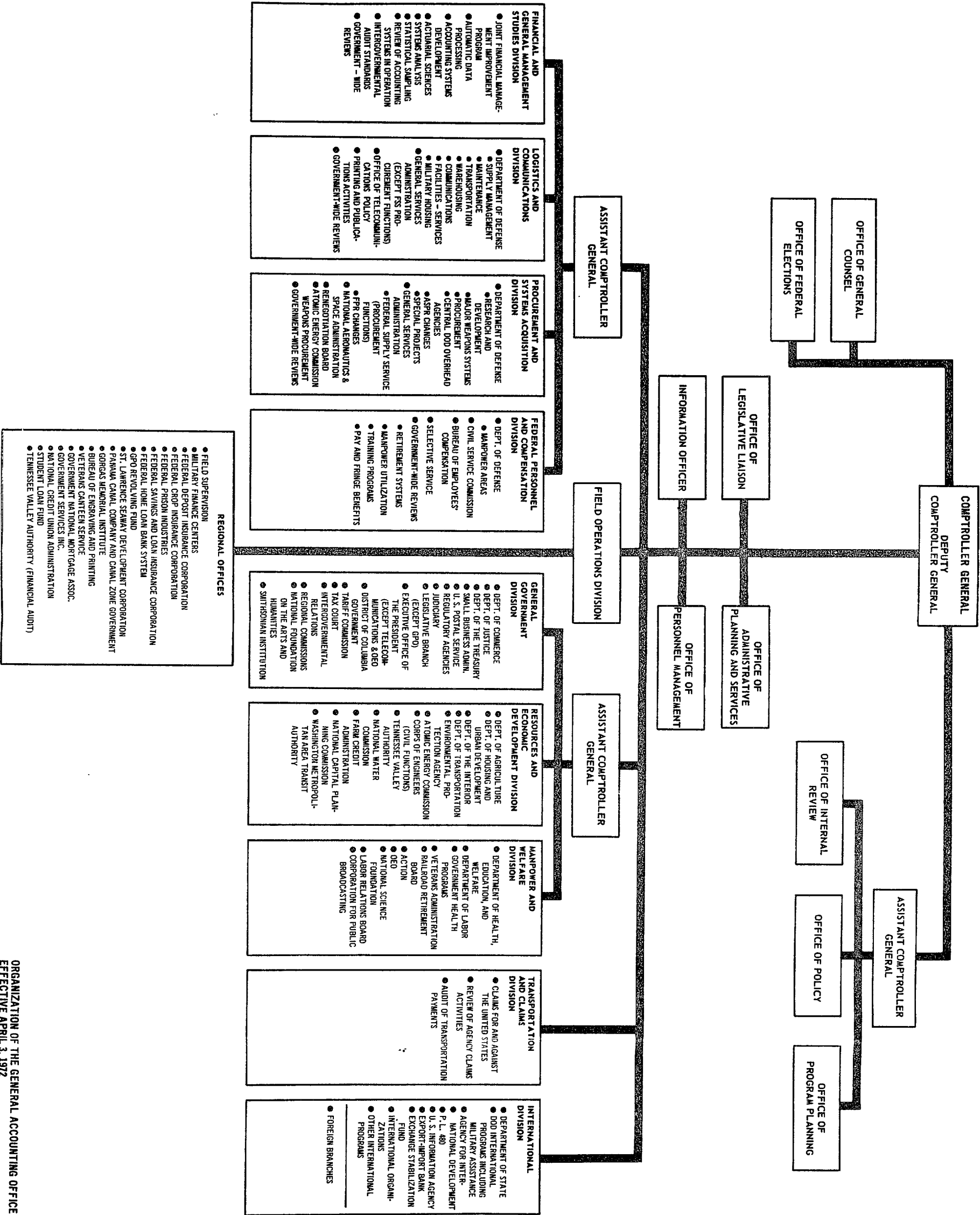
- ° Personnel management, recruiting, and staff development.
- ° Computer services and system development.
- ° Organization and management analysis studies and services.

These activities, which require 407 man years in 1974 are necessary for the effective management and administration of the Office. Planned improvements in these areas will permit us to more effectively and efficiently support the operating divisions and offices in their auditing, reporting, and management activities.

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Mr. Chairman, I have covered briefly the highlights of GAO programs and operations and our overall staff needs to support them. We are continually reviewing and analyzing our operations to seek ways to improve effectiveness and productivity in GAO. However, in light of the increasing workload emanating primarily from legislation, growth in numbers and size of requests from committees and Members, and the creation and expansion of Federal programs, we believe our FY 1974 budget estimate of \$103,850,000 is a realistic one.

This concludes my statement. My associates and I will be happy to answer any questions you may have.



REPORTS TO COMMITTEES AND MEMBERS OF CONGRESS
FISCAL YEAR 1972 AND
FIRST 6 MONTHS OF 1973 AND REQUESTS
ON HAND AT DEC. 31, 1972

	<u>Number of reports</u>		<u>Requests</u>
	<u>FY 1972</u>	<u>6 months of FY 1973</u>	<u>on hand 12-31-72</u>
House Committee:			
Appropriations	10	6	4
Armed Services	2	2	2
Government Operations	7	7	16
Post Office and Civil Service	8	-	2
Banking and Currency	1	1	5
District of Columbia	-	-	2
Education and Labor	2	2	2
Interstate and Foreign Commerce	1	1	3
Public Works	2	1	1
Foreign Affairs	-	1	2
Interior and Insular Affairs	1	1	-
Judiciary	1	19	5
Merchant Marine and Fisheries	1	1	2
Science and Astronautics	2	1	-
Small Business	1	-	3
Veterans Affairs	1	1	1
Ways and Means	4	3	2
Agriculture	-	-	1
House Beauty Shop	1	-	-
House Administration	1	-	-
Select Committee on Parking	-	1	-
Senate Committee:			
Appropriations	9	6	9
Aging, Special	2	2	2
District of Columbia	-	-	1
Armed Services	4	3	4
Aeronautical and Space Sciences	1	1	1
Finance	3	2	1
Foreign Relations	6	-	6
Post Office and Civil Service	2	-	-
Interior and Insular Affairs	5	7	3
Government Operations	9	2	5
Judiciary	6	-	1

